



Sheffield
University
Management
School.

Introduction to the module. Financial Accounting and Reporting.

MGT388
Lecture 1



Sheffield
University
Management
School.

Teaching staff

Module leader and lecturer for Finance

Dr. Maria-Teresa Speziale m.speziale@sheffield.ac.uk

Consultation & Feedback Hours: Monday, 11 - 13, Office B037, SUMS,
Conduit Road

Workshop tutors for Finance:

Paul Cowdell - p.cowdell@sheffield.ac.uk

Nnamdi Okolo - n.okolo@sheffield.ac.uk

Lecturer for Law:

Dr. Luke Blindell L.Blindell@sheffield.ac.uk

Workshop tutors for Law:

Michael Jefferson - m.jefferson@sheffield.ac.uk

Helen Raby - h.s.raby@sheffield.ac.uk

Stephanie Pletz - s.pletz@sheffield.ac.uk



Sheffield
University
Management
School.

Attendance monitoring system

- For each teaching event, the teaching staff (lecturer / tutor) will project on the screen the one-time code which the student will have to manually enter into the **iSheffield app** to check in for the event.
- Attendance monitoring is really important as it enables the SUMS to see when there are issues, wellbeing concerns etc. We are also expected to report engagement and attendance to the Home Office for VISA purposes.
- **It is the student's responsibility to record their attendance at each teaching event or their absence, selecting the reason for the absence from the drop-down menu. The teaching staff will not manually record the student's presence or absence. Occasional failed check-ins will not have a detrimental effect on your record.**



Sheffield
University
Management
School.

Finance component overview

The Finance component consists of **four essential activities**:

1. Ten lectures (F-2-F, recorded in Encore)
2. Two workshops to discuss case studies (F-2-F, not recorded)
3. Weekly Questions & Answers
4. Your reading (optional).



Sheffield
University
Management
School.

Lectures

The Finance component comprises **10 one-hour lectures** on three main areas: Financial Accounting, Management Accounting and Financial Management.

WEEK	LECTURES
1	Introduction to the module. Financial accounting and reporting.
2	Horizontal, Trend and Ratio Analysis: profitability, efficiency, and liquidity
3	Cash vs Profit. The role of Financial Accounting, Management Accounting and Financial Management
4	Costing: overview and accounting for overheads
5	Marginal costing and decision making
6	Study skills development week: No lectures for Finance (only Law)
7	Budgets and accounting for control
8	Pricing
9	Performance measurement and accounting for sustainability. Business ethics, accounting information security and quality management.
10	Capital investment appraisal
11	Business forms and sources of finance



Sheffield
University
Management
School.

Workshops

- The Finance component requires students to attend **2 one-hour workshops**, which will be given F-2-F in small groups of about 55 students each. Workshops will not be recorded to facilitate peer discussion of 2 case studies in class.
- Students will be included by timetabling staff (not by the module leader) in a workshop group. **To find out where and when teaching is scheduled for this module, and which workshops groups you are in, please look at your MyTimetable via MUSE.**

Semester Week	Workshop Topic	Workshop Group
3	Workshop 1: FINANCIAL ACCOUNTING	Schedule A
4	Workshop 1: FINANCIAL ACCOUNTING	Schedule B
8	Workshop 2: MANAGEMENT ACCOUNTING	Schedule A
9	Workshop 2: MANAGEMENT ACCOUNTING	Schedule B



Sheffield
University
Management
School.

Weekly Q&As and optional individual reading

- Lectures and workshops are supplemented by a **weekly set of questions and answers (Q&As)** available on Blackboard.
- For the Finance component, you may choose one of the following textbooks (or e-textbooks) as an **additional reading (optional)**:
 - Gowthorpe, Catherine, *Business Accounting and Finance, 5th Edition*, Cengage, 2021 (The 4th Edition, 2018, is fine).
 - Atrill, Peter, and Eddie McLaney. *Accounting and Finance for Non-Specialists, 11th edition*, Pearson Education Limited, 2018.
- On Blackboard (see the left-hand menu), please find the **Reading List**, where the links to both the e-textbooks are available.

CENGAGE 25% Back to University Discount Code- Cengage (11 Sep – 11 Dec 2023)

Log into: www.cengage.uk Discount code: VWUBACKTOUNIVERSITY23



Sheffield
University
Management
School.

Assessment

Summative Assessment

- The MGT388 exam is an **invigilated in person MCQ test (on paper, open book)**, composed of 50 MCQs (25 for Finance and 25 for Law) to be answered in 90 minutes.
- Each question has 4 answer options, of which only one answer is correct. Each correct answer is awarded 2 marks, each incorrect or unanswered answer is awarded 0 marks. Negative marking does not apply. To pass the exam students must achieve a total mark of 40%. The Resit exam (August) will take the same format and maintains the same level of difficulty as the main sitting (but capped at 40%).

Formative pre-tests (not assessed)

Three formative tests (not assessed) will be made available. Each formative test focuses on one area covered by this module. There is no deadline to complete each test.

Discussion Board (anonymised) and Q&As sessions in Blackboard Collaborate

The ML will reply weekly to the questions posted by students on the **Finance Discussion Board** on Blackboard. **Q&A sessions** will be held by the ML in January and August for additional support to students preparing for the exam.



Sheffield
University
Management
School.

Professional Staff

Timetabling, IT and other services are performed by professional staff. The module leader, lecturers and tutors are not involved in professional services, so please contact:

- General Student queries: Programme Administrator Naomi Roderick n.roderick@sheffield.ac.uk or sums@sheffield.ac.uk
- Student queries about assessment: sumsassessmentsupport@sheffield.ac.uk
- Issues in using Blackboard: mgt.tel@sheffield.ac.uk
- Issues in Encore: encorehelp@sheffield.ac.uk
- Issues in visualising the timetable and other IT issues: it-servicedesk@sheffield.ac.uk



Sheffield
University
Management
School.

Learning Outcomes

At the end of this lecture, students should:

- Be able to define Accounting.
- Understand the terminology used in a statement of financial position and a statement of profit or loss.
- Be able to understand and comment on the basic information conveyed by a statement of financial position and a statement of profit or loss.



Sheffield
University
Management
School.

What is Accounting?

- The process of **identifying, measuring and communicating economic information** to permit **informed judgements and decisions** by users of the information.
- The «Father of Accounting and Bookkeeping» is **Fra Luca Bartolomeo de Pacioli** (1447 – 1517), Italian mathematician, Franciscan friar and collaborator with Leonardo da Vinci. ***The Summa de arithmetica, geometria. Proportioni et proportionalita*** (Venice, 1494) contains the first published descriptions of the **bookkeeping method** that Venetian merchants used during the Italian Renaissance (**double-entry accounting**).





Sheffield
University
Management
School.

Example: JJ Hair Studio

2 January – open bank account with £8,700

8 January – transfer to landlord of £800

8 January – purchase of equipment for £3,500

To end January – receipt of £1,250 in cash

To end January – payment of £200 for various expenses



Sheffield
University
Management
School.

Statement of cash flows

Statement of cash flows (also referred to as 'Cash flows statement')

It shows the cash inflows and outflows of a company.

JJ Hair Studio: Statement of cash flows for the month ended 31 January 20X4

	£	£
INFLOWS		
Cash introduced by proprietor		8,700
Receipts of cash from sales		<u>1,250</u>
		9,950
OUTFLOWS		
Payment for rental	800	
Payment for equipment	3,500	
Payment for expenses	<u>200</u>	<u>(4,500)</u>
Balance of cash on 31 January		<u>5,450</u>



Sheffield
University
Management
School.

Statement of financial position: Definitions of Elements

Statement of financial position (also referred to as 'Balance Sheet')

It shows the worth of a company.

JJ Hair Studio: Statement of financial position at 31 January 20X4

	£	£
ASSETS		
固定资产 Non-current assets: equipment		3,500
非固定资产 Current assets: cash (from the statement of cash flows)		<u>5,450</u>
		<u>8,950</u>
CAPITAL AND LIABILITIES		
Capital introduced by Jamie	8,700	
Add: profit for the month	250	
Liabilities	<u>0</u>	
		<u>8,950</u>



Sheffield
University
Management
School.

Statement of financial position: Definitions of Elements

ASSETS – resources under the control of a business, e.g., cash, trade receivables, inventory, non-current assets.

LIABILITIES – amounts that the business is obliged to pay to other people or organizations, e.g., trade payables, amounts owing for tax and VAT, and loans that will have to be repaid.

CAPITAL (EQUITY) – the amount invested by the owner or owners of the business.

It may help to think of capital as being the amount owed by a business to its proprietors.



Sheffield
University
Management
School.

Statement of financial position: Definitions of Elements

Current Assets

Cash and other assets a company expects to convert into cash, sell, or consume either in **one year** or in the **operating cycle***, whichever is longer.

Non-current Assets (or Fixed Assets)

Assets that do not meet the definition of current assets.

Current Liabilities

Obligations that a company generally expects to settle in its normal operating cycle or one year, whichever is longer.

Non-current Liabilities

Liabilities that do not meet the definition of current liabilities.

**Glossary: An operating cycle refers to the time it takes a company to buy goods, sell them and receive cash from the sale of said goods.*



Sheffield
University
Management
School.

The Accounting Equation

$ASSETS = CAPITAL + LIABILITIES$

$ASSETS - LIABILITIES = CAPITAL$

$ASSETS - CAPITAL = LIABILITIES$



Sheffield
University
Management
School.

Statement of profit or loss

Statement of profit or loss (also referred to as 'Income statement')

It shows the financial performance (profit or loss) of a company.

JJ Hair Studio: Statement of profit or loss for the month ended 31 January 20X4

	£
Revenue	1,250
Expenses (800 + 200)	<u>(1,000)</u>
Profit for the period	<u>250</u>

Revenue (also referred to as 'sales' or 'turnover')



Sheffield
University
Management
School.

Statement of profit or loss

- *Cost of premises:* rental, business rates, insurance, etc.
- *Selling and distribution costs:* haulage, delivery services, sales staff salaries and commission.
- *Administration costs:* phone, stationery, administrative staff salaries, computer costs, website costs.
- *Finance costs:* bank charges, interest.



Sheffield
University
Management
School.

Statement of profit or loss

Gross Profit

- Computed by deducting cost of goods sold from net sales.
- Provides a useful number for evaluating performance and predicting future earnings.



Sheffield
University
Management
School.

Statement of profit or loss

£'000

Revenue

X

Cost of sales

(X)



Opening inventory	X
Purchases	X
Less closing inventory	<u>(X)</u>
	<u>X</u>

Gross Profit

X

Inventory = stock = unsold items

Adjusting for unsold items will mean there are the same number of items in sales as there are in cost of sales.



Sheffield
University
Management
School.

Statement of profit or loss

Income from Operations (or Operating Income)

- Determined by deducting selling and administrative expenses as well as other income and expense from gross profit.
- Used to predict the amount, timing, and uncertainty of future cash flows.



Sheffield
University
Management
School.

Statement of profit or loss

Net Income

Represents the income after **all** revenues and expenses for the period are considered.

Viewed by many as the most important measure of a company's success or failure for a given period.



Sheffield
University
Management
School.

Condensed Income Statement

Note D: Selling expenses

Sales salaries and commissions	\$202,644
Sales office salaries	59,200
Travel and entertainment	48,940
Advertising expense	38,315
Delivery expense	41,209
Shipping supplies and expense	24,712
Postage and stationery	16,788
Telephone and Internet expense	12,215
Depreciation of sales equipment	9,005
Total selling expenses	<u>\$453,028</u>

Income Statement

BOC HONG COMPANY INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2019

Net sales		\$2,972,413
Cost of goods sold		<u>1,982,541</u>
Gross profit		989,872
Selling expenses (see Note D)	\$453,028	
Administrative expenses	<u>350,771</u>	803,799
Other income and expense		<u>171,410</u>
Income from operations		357,483
Interest expense		<u>126,060</u>
Income before income tax		231,423
Income tax		<u>66,934</u>
Net income for the year		<u><u>\$ 164,489</u></u>
Attributable to:		
Shareholders of Boc Hong		\$ 120,000
Non-controlling interest		44,489
Earnings per share		<u><u>\$1.74</u></u>



Sheffield
University
Management
School.

Equity

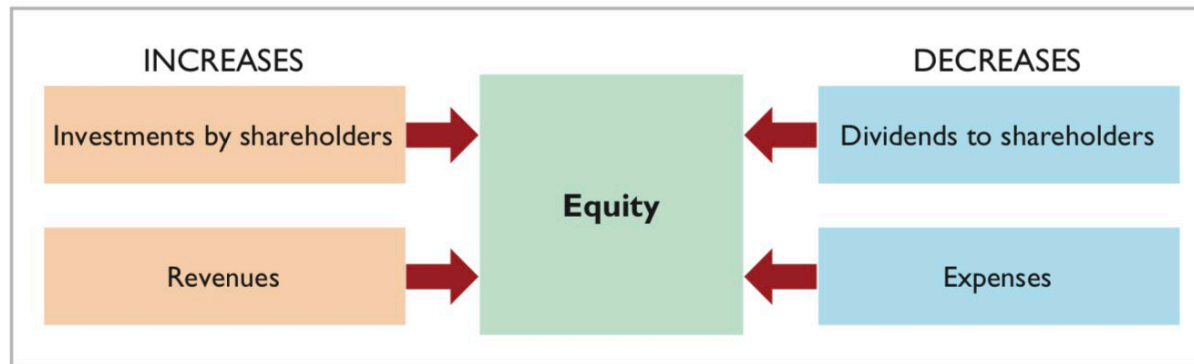


ILLUSTRATION 1.6 Increases and decreases in equity

Copyright ©2019 John Wiley & Son, Inc.

Share capital—ordinary: describes the amounts paid in by shareholders for the ordinary shares they purchase.

Revenues: are the gross increases in equity resulting from business activities entered into for the purpose of earning income. Revenues usually result in an increase in an asset.

Expenses: are the cost of assets consumed or services used in the process of earning revenue.

Dividends: are distribution of cash or other assets to shareholders. They are not an expense.



Your Reading (optional)

Gowthorpe:

- Chapter 1: Special notes for the suspicious, pp. 1-2
- Chapter 2: The Statement of financial position, pp. 28-34
- Chapter 3: The Statement of profit or loss, pp. 48-58